FDIC State Profile

Spring 2005

Georgia

Economic growth in Georgia has slowly gathered momentum.

- Georgia has slowly but steadily added to payrolls over the past several months (See Chart 1). Despite adding several thousand new residents, payrolls remain below their pre-recession peak, indicating that the economy has yet to fully recover from the 2001 recession.

The growing economic recovery has not been uniform throughout Georgia.

- Job growth around the state varied considerably during late 2004. ***Savannah*** and ***Atlanta*** saw the fastest gains, while employment remained flat in ***Columbus*** and declined in ***Albany*** and ***Macon***. In Atlanta, which accounts for more than half of state employment, gains have not been uniform across industries. While the tourist industry has moved toward recovery, other critical sectors, such as transportation services (including ***Delta Air Lines)*** and telecommunications, remain at risk.

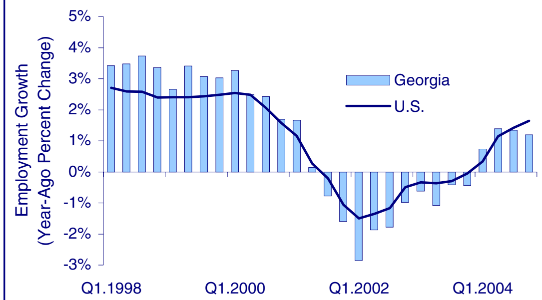
- In rural areas, the elimination of trade quotas on textiles and apparel products at the start of 2005 has the potential to exacerbate the ongoing trend in this sector's job losses as even more production is shifted overseas, especially to China. Although in decline for years, these industries remain an important economic component in many local areas (See Map 1). It is estimated that employment in Georgia's textile mills will fall by another 6,000 jobs over the next few years.

Some Georgia communities may be vulnerable to base closings

- During 2005, the Base Realignment and Closure Commission is expected to submit its recommendations to the President. Military installations in Georgia contribute billions of dollars to the state's economy and employ more than 100,000 residents. According to one recent report, the Naval Air Station (***Marietta***), Marine Corps Logistics Base (Albany), and the Naval Supply Corps School (***Athens***) may face the greatest risk of closure.[1] In contrast, other installations, such as Fort

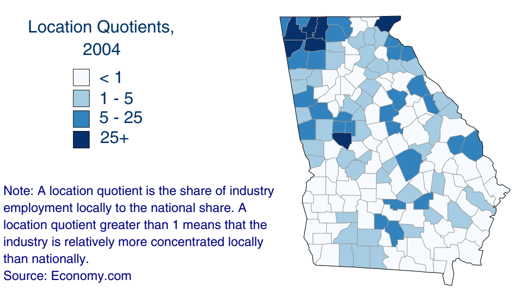
[1] Ron Martz, "Closing list expected to include GA," Atlanta Journal-Constitution, February 22, 2005.

Chart 1: Job Creation in Georgia Was Below Average in 2004



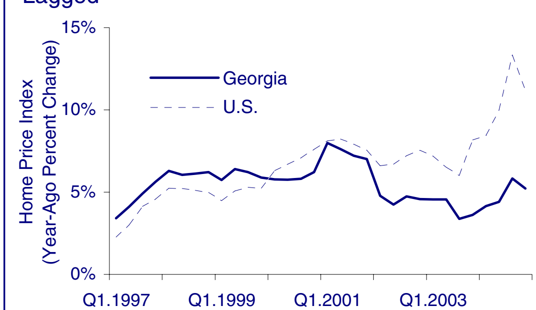
Source: Bureau of Labor Statistics

Map 1: Georgia Textile and Apparel Employment Remains Highly Concentrated in Some Areas



Note: A location quotient is the share of industry employment locally to the national share. A location quotient greater than 1 means that the industry is relatively more concentrated locally than nationally.
Source: Economy.com

Chart 2: Georgia Home Price Appreciation Has Lagged



Source: Office of Federal Housing Enterprise Oversight

Benning in Columbus, have benefited from a recent influx of military personnel.

Population growth has supported residential development and lending.

- Although population growth in Georgia has moderated in recent years, the rate of increase remains well above the national average and is ranked by ***Allied Van Lines*** as the fourth highest net household relocation destination nationally. The continued attractiveness of the state is underscored by the fact that, of the ten fastest growing counties nationwide since 2000, four were located in the Atlanta metropolitan area.

- Population growth has supported the rapid pace of residential real estate development in Georgia. In 2004, residential permitting reached record levels, while construction and development (C&D) lending at the state's community banks[2] jumped 45 percent.

- The bulk of C&D loan growth has taken place inside metro Atlanta banks, with capital exposure to this lending sector ranking second highest of metro areas in the nation at 269 percent. The Savannah, Macon, and Athens metro areas also ranked among the top 10 nationally.

- A rapid expansion in the supply of housing, however, generally has constrained home price appreciation (except in some in-town metro Atlanta areas where availability is limited and demand high) as permitting has outpaced the household formation rate (See Chart 2).

Rent growth in Atlanta's commercial real estate (CRE) markets lags as vacancy rates remain persistently high.

- While the metropolitan Atlanta economy has gained momentum, CRE markets have been slow to recover. Office vacancy rates in late 2004 were more than 22 percent, down only modestly from a year ago, but still nearly twice their pre-recession lows. Office rent growth has continued to languish except in surging submarkets such as Midtown. Vacancy rates in the retail and warehouse markets also remain well into the double-digits. With market equilibrium vacancy rates estimated around 10 percent, Atlanta CRE markets would require a significant increase in absorption to fully recover from the effects of the recent recession.

- While CRE loan growth has slowed, it posted a steady 12 percent increase during 2004. With the seasoning of the CRE loan portfolio, there has been some slight deterioration in noncurrent loans, but they are at very manageable levels.

[2]Community banks have assets less than $1 billion and exclude specialty and de novo banks.

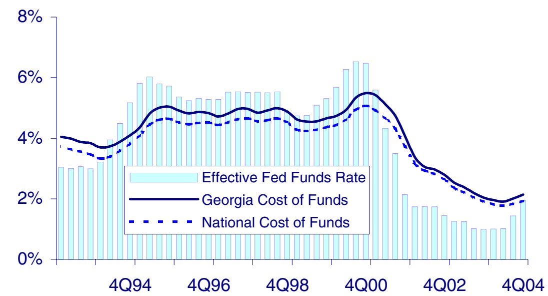
Performance was solid at Georgia community banks, but funding costs have started to rise.

- Earnings performance was solid at the state's community banks. Profitability measures were slightly higher than the national averages as both net interest margins and return on assets improved to 4.28 and 1.17 percent, respectively. Net income grew 17 percent to $605 million during 2004 as higher net interest income and lower overhead expenses contributed to the increase.

- At community banks in the state, loan growth was funded primarily through increases in noncore sources, such as brokered deposits and jumbo CDs. The merger adjusted growth rate of noncore deposits approximated 25 percent during 2004. This compares with just a 9 percent rate of growth in core funding sources.

- For much of the late 1990s, insured institutions in the state had funding costs that were lower than the federal funds rate especially during periods of rising rates. Should rates continue to rise, funding costs will likely lag again (See Chart 3).

Chart 3: The Cost of Funds Has Started to Rise at Georgia Insured Institutions



Cost of Funds is median quarterly annualized interest expense to interest-bearing liabilities.

Georgia at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.2%	-0.4%	-1.0%	-1.6%	1.7%
Manufacturing (11%)	-1.0%	-3.1%	-3.8%	-8.4%	-3.0%
Other (non-manufacturing) Goods-Producing (5%)	-0.2%	2.8%	-4.9%	-1.3%	-0.1%
Private Service-Producing (67%)	1.6%	-0.5%	-0.8%	-1.4%	3.1%
Government (16%)	1.7%	0.6%	2.0%	3.4%	0.6%
Unemployment Rate (% of labor force)	4.8	4.5	4.9	4.5	3.5

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	4.6%	1.6%	4.2%	7.2%
Single-Family Home Permits	-4.6%	19.6%	7.1%	-2.8%	-5.9%
Multifamily Building Permits	101.6%	-27.6%	8.3%	0.8%	-12.7%
Existing Home Sales	21.7%	5.5%	7.3%	10.6%	6.7%
Home Price Index	5.2%	3.6%	4.6%	7.0%	6.2%
Bankruptcy Filings per 1000 people (quarterly level)	2.15	2.34	2.23	2.20	1.92

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	344	345	341	347	361
Total Assets (in millions)	224,677	214,077	192,295	183,526	175,266
New Institutions (# < 3 years)	38	34	37	40	48
Subchapter S Institutions	58	55	49	42	36

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.47	1.72	2.21	2.38	2.10
ALLL/Total Loans (median %)	1.32	1.34	1.34	1.32	1.32
ALLL/Noncurrent Loans (median multiple)	2.20	2.07	1.78	1.81	2.12
Net Loan Losses / Total Loans (median %)	0.12	0.19	0.17	0.18	0.14

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	9.13	9.17	9.16	9.06	9.26
Return on Assets (median %)	1.10	1.03	1.11	1.04	1.19
Pretax Return on Assets (median %)	1.52	1.39	1.52	1.46	1.64
Net Interest Margin (median %)	4.28	4.23	4.40	4.32	4.82
Yield on Earning Assets (median %)	5.95	6.14	6.99	8.40	9.10
Cost of Funding Earning Assets (median %)	1.68	1.91	2.54	4.00	4.29
Provisions to Avg. Assets (median %)	0.25	0.25	0.30	0.27	0.26
Noninterest Income to Avg. Assets (median %)	0.76	0.80	0.80	0.79	0.79
Overhead to Avg. Assets (median %)	3.03	3.07	3.15	3.21	3.31

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	72.9	71.8	71.1	69.9	68.6
Noncore Funding to Assets (median %)	23.8	21.7	21.7	21.5	21.2
Long-term Assets to Assets (median %, call filers)	8.4	9.8	9.1	10.6	10.6
Brokered Deposits (number of institutions)	152	116	106	86	74
Brokered Deposits to Assets (median % for those above)	6.9	5.7	5.8	4.2	4.1

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	84.9	84.6	89.9	83.2	96.1
Commercial Real Estate	354.0	321.4	289.1	256.9	225.8
Construction & Development	106.3	80.3	63.2	53.0	43.1
Multifamily Residential Real Estate	5.4	4.2	3.1	3.4	2.5
Nonresidential Real Estate	200.2	197.3	182.4	170.5	139.5
Residential Real Estate	166.1	171.3	188.0	188.8	181.7
Consumer	48.0	55.8	64.2	71.4	77.2
Agriculture	13.2	13.2	15.3	17.0	18.3

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)
Atlanta-Sandy Springs-Marietta, GA	137	80,584
Chattanooga, TN-GA	27	6,310
Augusta-Richmond County, GA-SC	18	5,099
Columbus, GA-AL	15	4,279
Savannah, GA	20	4,027

Asset Distribution	Institutions
< $250 mil.	259 (75.3%)
$250 mil. to $1 bil.	75 (21.8%)
$1 bil. to $10 bil.	9 (2.6%)
> $10 bil.	1 (0.3%)